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# Message Text

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ACTION FBO-05

INFO OCT-01 EUR-12 ISO-00 L-03 A-01 SSO-00 /022 W
----------129279 201436Z /53
O 201255Z JUL 77
FM AMEMBASSY BUDAPEST
TO SECSTATE WASHDC IMMEDIATE 8950

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FOR: AV A/FBO; PLXM; EUR/EE, EUR/EX

E.O. 11652: NA- DECON 12/31/77
TAGS: ABLD AFSP PFOR HU
SUBJECT: BUDAPEST PROPERTY NEGOTIATIONS

REF: (A) BUDAPEST 2356 (B) SWAN/SEREY/TWOHIE TELCON OF JULY 18

1. LATE TUESDAY AFTERNOON DSD ADVISED EMBASSY IT WAS NOT PREPARED FOR WEDNESDAY MEETING AND APOLOGETICALLY POSTPONED UNTIL THURSDAY MORNING. TEAM USING WEDNESDAY TO DEVELOP A DRAFT SETTLEMENT AGREEMENT AS A MEANS OF FACILITATING FURTHER NEGOTIATIONS. CONCEPTUAL FRAMEWORK FOLLOWS (PARA 4).

2. WE GET UNCERTAIN SIGNALS FROM DSD ON PROBABLE LEVELS OF COMPENSATION THEY WILL OFFER. THEY CONSISTENTLY TALK OF LOW HUNGARIAN EVALUATIONS, BUT ARE AWARE THAT SUCH LEVELS ARE UNACCEPTABLE TO US. THE DELAY TO THURSDAY MIGHT JUST BE THE RESULT OF MFA EFFORTS TO GET FINANCE MINISTRY AND BUDAPEST CITY COUNCIL TO ALLOW HIGHER COMPENSATION AND GREATER FLEXIBILITY IN NEGOTIATIONS. IN ANY EVENT, IF EVALUATIONS PRESENTED THURSDAY ARE VERY LOW (SAY UNDER $1 MILLION), THIS WOULD SUGGEST CONSIDERABLE DELAY AND GREAT DIFFICULTY IN NEGOTIATING UPWARD TO AN ACCEPTABLE LEVEL. IN SUCH A CASE, PLAN TO STATE THAT THE GAP APPEARS TO BE
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TOO WIDE TO RESOLVE UNDER DSD'S PRESENT INSTRUCTIONS; THE TEAM WILL DEPART BUDAPEST SATURDAY BUT WOULD BE WILLING TO RETURN TO DSD HEADQUARTERS FRIDAY FOR FURTHER DISCUSSIONS IF THEY, IN THE INTERIM, ARE WILLING TO PRESENT A MORE REASONABLE PROPOSAL. IF NOT, WE WOULD, OF COURSE, ALSO WELCOME REOPENING OF NEGOTIATIONS UNDER AMB KAISER WHENEVER GOH IS READY TO CON-

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SIDER MULTIMILLION DOLLAR COMPENSATION.

3. THE DRAFT AGREEMENT WE ARE PREPARING WOULD BE PUT FORWARD IF DSD EVALUATIONS PROVIDE REASONABLE BASIS FOR NEGOTIATIONS AND, SHOULD DISCUSSION BREAK DOWN, COULD BE LEFT WITH DSD AS FOOD FOR THOUGHT FOR FUTURE NEGOTIATIONS.

4. AGREEMENT WOULD STATE THAT USG AND GOH TEAMS MET TO NEGOTIATE TRANSFER TO GOH OF ALL USG RIGHTS, TITLE AND INTERESTS IN THE NINE (LISTED) PROPERTIES. AFTER PROPERTY APPRAISALS BY BOTH SIDES, THE GOH HAS AGREED TO CREDIT THE USG WITH AN ACCOUNT OF THE FORINT EQUIVALENT OF A SPECIFIC DOLLAR AMOUNT TO BE NEGOTIATED. (WE WILL OPEN THRUSDAY AT $10.373 MILLION). THE ACCOUNT WILL BE DEBITED FOR EACH PROPERTY OR SERVICE (SEE REFTEL) THE GOH PROVIDES TO THE EMBASSY AT AMOUNTS DETERMINED IN THE AGREEMENT. FROM OUR POINT OF VIEW, THE TOTAL COST OF THESE REQUIRED SERVICES AND PROPERTIES WOULD EQUAL THE FULL AMOUNT OF THE GOH CREDIT TO THE USG. (THE LIST WILL INCLUDE ABOUT $4.5 MILLION IN FORINTS FOR CONSTRUCTION OF A NEW CHANCERY, WHICH TEAM HAS ESTIMATED AT 41,000 GROSS SQUARE FEET.) THE DSD CAN FIGURE ACTUAL COSTS OF PERFORMANCE IN ANY MANNER THEY DESIRE, HOPEFULLY TO SATISFY THEIR MINISTRIES. USG PROPERTIES WOULD BE TRANSFERRED TO THE GOH AS THEY LIMITED OFFICIAL USE

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PERFORM SERVICES, PROVIDE LAND OR COMPLETE CONSTRUCTION WHOSE VALUE ROUGHLY EQUALS THE AGREED PROPERTY EVALUATIONS, IN ACCORDANCE WITH THEIR PRIORITY OF ACQUISITION. FOR EXAMPLE, WHEN TITLE IS PASSED TO THE USG ON AN OFFICE SITE IN THE DOWNTOWN AREA, THE GOH WOULD RECEIVE TITLE TO SEVERAL OF OUR PROPERTIES WHOSE TOTAL VALUE APPROXIMATES $1.75 MILLION, WHICH IS OUR ROUGH ESTIMATE AT THIS POINT OF THE VALUE OF SUCH A SITE.

5. UNLESS ADVISED TO CONTRARY BY OPENING OF BUSINESS THURSDAY, WE PLAN TO PROCEED IN THIS GENERAL MANNER. MUDD

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# Message Attributes

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**Decaption Date:** 01-Jan-1960 12:00:00 am
**Decaption Note:**
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**Disposition Case Number:** n/a
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**Disposition Date:** 22 May 2009
**Disposition Event:**
**Disposition History:** n/a
**Disposition Reason:**
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**Enclosure:** n/a
**Executive Order:** N/A
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**Original Classification:** LIMITED OFFICIAL USE
**Original Handling Restrictions:** n/a
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**TAGS:** ABLD, AFSP, PFOR, HU, US
**To:** STATE
**Type:** TE
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**Review Markings:**
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